

## Message Text

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53

ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PM-03 H-02 L-02 PA-02 PRS-01 USIA-15 AGR-10

IGA-01 FEAE-00 OES-05 /117 W  
----- 053014

R 031230Z JAN 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1171

INFO SECTREASURY WASHDC

UNCLAS SECTION 1 OF 2 CAIRO 0075

E.O. 11652: NA

TAGS: EINV, EAID, EG

SUBJECT: JWG ON ECONOMIC AND FINANCIAL COOPERATION: COMMENTS  
ON INVESTMENT LAW

REF: STATE 271187

1. EMBASSY HAS NOW SUCCEEDED IN OBTAINING GOE'S REPLY TO COMMENTS ON INVESTMENT LAW WHICH WERE PRESENTED IN BY USG SIDE AT LAST JWG SESSION IN CAIRO. TEXT OF REPLY, WHICH IS KEYED TO PARAS IN US PAPER FOLLOWS. EMBASSY HAS MADE MINOR EDITORIAL CORRECTIONS IN PLACES WHERE ERRORS IN ENGLISH ARE EVIDENT AND FOR TELEGRAPHIC PURPOSES, BUT NO EFFORT HAS BEEN MADE TO CHANGE TEXT IN THOSE CASES IN WHICH MEANING IS NOT CLEAR. WE WILL SEEK FURTHER CLARIFICATIONS FROM AUTHORITY FOR INVESTMENTS AND FREE ZONES IF DESIRED.

2. WITH REGARD GENERAL QUESTION OF STATUS VARIOUS ISSUES RAISED REFTEL, EMBASSY REPS WILL MEET WITH TAHER AMIN IN NEAR FUTURE IN ORDER DISCUSS FULL RANGE JWG ACTIVITIES AND INTERESTS. EMBASSY WILL PREPARE A DRAFT AGENDA FOR AMIN, DRAWING ON REFTEL AND RELATED MATTERS, E.G. AID PROGRAM.  
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FULL REPORT WILL FOLLOW,

BEGIN TEXT.

ART. 1:

ACCORDING TO LAST PARAGRAPH OF ARTICLE 25 (ARABIC TEXT) BOARD OF DIRECTORS IS PRECLUDED FROM DELEGATING AUTHORITY IN MATTERS SPECIFICALLY MENTIONED IN LAW AS PART OF ITS DUTY. APART FROM THIS, BOARD MAY GIVE DELEGATIONS WHATEVER IT FINDS IT CONVENIENT FOR SMOOTH WORKING OF LAW.

ART. 2:

IN VIEW OF TEXT OF ARTICLE 4 OF LAW NO. 43 FOR YEAR 1974, PROJECTS APPROVED BEFORE PROMULGATION OF THIS LAW SHALL CONTINUE TO ENJOY RIGHTS AND PRIVILEGES OF LAWS REVAILING AT TIME OF APPROVAL, IT FOLLOWS THAT THEY COULD NOT BE ACCEPTED IN TERMS OF PRESENT LAW.

ART. 2 (I):

IN EXCHANGE CONTROL MANUAL, TERM FREE FOREIGN CURRENCY ACCEPTABLE IN EGYPT IS DEFINED SO AS TO MEAN FREE CURRENCIES FOR WHICH CENTRAL BANK OF EGYPT ISSUES A RATE OF EXCHANGE IN TERMS OF EGYPTIAN CURRENCY.

ART. 2 (II):

AS REGARDS EMPLOYMENT OF USED MACHINERY, LAW APPLIES FOR UP-TO-DATE, AND MODERN TYPE OF MACHINERY TO ASSURE A GOOD STANDARD OF PRODUCTION. A MACHINE WHICH HAS BEEN DEPRECIATED (ONLY FOR) OVER A SPECIFIED PORTION OF ITS USEFUL LIFE MAY NOT BE ACCEPTED IF A NEW MODEL OF HIGH PRECISION THEREOF IS ON MARKET.

ART. 2 (III):

LAW STATED CERTAIN SPECIFICATIONS THAT CANNOT BE AVOIDED BY A MORE FLEXIBLE IDENTIFICATION, FOR "INTANGIBLE ASSETS" ASSEPTED AS "INVESTED CAPITAL". BUT INTANGIBLE ASSETS SUCH AS "KNOW HOW" MAY BE ACCEPTED ON A COMMERCIAL BASIS IN TERMS OF A CONTRACT.

ART. 2 (V):

ACCORDING TO TEXT OF ARTICLE (V), AUTHORITY CONFERRED TO UNCLASSIFIED

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BOARD OF DIRECTORS TO DECIDE ON ACCEPTANCE OF PROFITS REALIZED BY PROJECT IN INCREASING ITS CAPITAL, MAY NOT BE DELEGATED. INCREASE OF CAPITAL WILL HOWEVER GIVE RISE TO TAX EXEMPTION FOR FIVE YEARS AND THIS WOULD NOT BE ACCEPTED BY TAXES ADM. UNLESS THERE IS A DECISION FROM BOARD. IT IS HOPED THAT IN CASE REFERRED TO IN REMARK, DECISION WILL BE CONSIDERED BY BOARD AS FORMAL APPROVAL.

ART. 2 (VI):

EXECUTIVE REGULATIONS WILL NOT REFER, FOR TIME BEING,  
TO "PORTFOLIO" INVESTMENT PURCHASED IN FOREIGN CURRENCY ON  
EGYPT'S STOCK EXCHANGE, TILL ON-GOING STUDY WITH CONCERNED  
AUTHORITIES IS TERMINATED.

ART. 2 (MISC):

1. THIS REMARK WILL BE OBSERVED IN PREPARING MODEL STATUS  
OF COMPANIES.
2. ACCORDING TO EXCHANGE CONTROL RULES RETRANSFER OF FOREIGN  
DEBT TOGETHER WITH INTEREST DUE THEREON MAY BE EFFECTED ON  
DUE DATE IF AN APPROVAL WAS OBTAINED FROM APPROPRIATE AUTHO-  
RITIES AT TIME OF CONTRACTING DEBT. THIS WILL BE  
ASSURED BY A CIRCULAR.

ART. 3 (I):

A. LISTS OF ACTIVITIES THAT WILL BE ISSUED BY AUTHORITY  
WILL CLARIFY "OTHER FIELDS" THAT MAY BE ACCEPTED UNDER  
TERMS OF LAW.

ART. 3 (I), (II):

B. ACCORDING TO EGYPTIAN LEGISLATION, FOREIGNERS ARE PRECLUDED  
FROM PURCHASING AGRICULTURAL LANDS. AGRO BUSINESS MAY HOWEVER  
BE UNDERTAKEN ON AGRICULTURAL LAND TO BE LEASED FOR 25 YEARS  
RENEWABLE FOR ANOTHER SIMILAR PERIOD.

ART. 3 (III):

C. SENTENCE ABOUT PURCHASE OF BUILDING IS MEANT TO BE APPLIED TO  
PURCHASE ANCILLARY TO A PROJECT, I.E. PURCHASE OF A BUILDING  
ALREADY IN EXISTENCE IS NOT CONSIDERED A PROJECT UNLESS IT IS RE-  
BUILT FOR PURPOSES OF HOUSING, AND IN THIS CASE IT IS CONSIDERED  
A HOUSING PROJECT, OR IT MAY BE USED, FOR FACTORIES OR OFFICES FOR  
AN APPROVED PROJECT, AND IN THIS CASE IT IS CONSIDERED AS A FIXED  
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ASSET IN PROJECT.

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CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

DODE-00 PM-03 H-02 L-02 PA-02 PRS-01 USIA-15 AGR-10

IGA-01 FEAE-00 OES-05 /117 W

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R 031230Z JAN 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1172

INFO SECTREASURY WASHDC

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ART. 3 (V):

D. PREVAILING EXCHANGE REGULATIONS PERMIT RESIDENTS TO OBTAIN A  
LOAN IN FOREIGN CURRENCY PROVIDED PRIOR APPROVAL OF EXCHANGE  
AUTHORITIES FOR REPAYMENT OF LOAN IN DUE DATE IS OBTAINED.

ART. 3 (VI):

E. PARAGRAPH ON SPECIAL AUTHORITY MENTIONED IN ARTICLE 3 IS MEANT  
TO BE APPLIED TO WHOLE ARTICLE.

ART. 4 (A):

BY "HOUSING PROJECT", LAW MEANS PROJECT AS A WHOLE,  
ARCHITECTURAL AND ENGINEERING SERVICES ARE HOWEVER REGARDED AS  
SERVICES CONNCTED WITH PROJECTS, AND MAY BE CARRIED ON BY  
SPECIAL CONTRACTS WITH INVESTOR.

ART. 4 (C):

IMPLEMENTING REGULATIONS HAVE FIXED MINIMUM SHARE OF EGYPTIAN  
CAPITAL IN PROJECT AT 25 PERCENT OF TOTAL CAPITAL.

ART. 6:

THIS ARTICLE IS MEANT TO ASSURE PARTICIPANTS IN PROJECTS  
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ACCEPTED UNDER LAW IRRESPECTIVE OF THIER RESIDENCE OR NATION-  
ALITY, THIS PRIVILEGE COULD NOT BE EXTENDED TO PROJECTS NOT COMING  
UNDER THIS LAW.

ART. 7:

REQUIRED CLARIFICATION, IF INCLUDED IN EXECUTIVE REGULATIONS  
WOULD BE CONSIDERED FROM LEGAL POINT OF VIEW IRRELEVANT, BECAUSE  
IT REFERS TO LAWS OTHER THAN INVESTMENT LAW.

ART. 8:

ONCE LAW LAID DOWN SPECIFIC ARBITRATION PROVISIONS, AUTHORITY CAN NOT NEGOTIATE PROVISIONS OTHER THAN THOSE MENTIONED IN LAW. IN CASE OF REFERRING DISPUTES TO ICSID CENTER, INTERNATIONAL CONVENTION PROVISIONS WILL BE APPLIED.

ARTS. 9-13:

NO REPLY NEEDED.

ART. 10:

WE HAVE TAKEN NOTE OF REMARK, AND LABOR PARTICIPATION IN MANAGEMENT WILL BE CALRIFIED IN ADMINISTRATIVE REGULATIONS.

ART. 12:

LABOR SHARE IN NET PROFITS IS CUTOMARY AND IS DECLARED BY BOARD OF DIRECTORS IN FORM OF BONUS.

ART. 14:

LAW GIVES PROJECT RIGHT TO HOLD FOREIGN CURRENCY ACCOUNT WITHPRIOR APPROVAL FROM AUTHORITY. ONLY CONTROL PROVIDED BY THIS ARTICLE IS THAT PROJECT SHOLD SUBMIT A STATEMENT OF ACCOUNTS EVERY THREE MONTHS. AS FAR AS REMITTANCE OF INTEREST, ROYALTY AND SERVICE ARE CONCERNED, EXCHANGE CONTROL REGULATIONS CONSIDER THT SUCH PAYMENTS ARE REGARDED AS CURRENT PAYMENTS AND ALLOWED. IT FOLLOWS THAT THEY COULD BE REMITTED BY DEBIT OF THIS ACCOUNT IN TERMS OF TEXT "AND FOR SETTLING ANY OTHER EXPENSES NECESS-ARY FOR PROJECT".

ART 15:

INSPECTION OF IMPORTED GOODS REFERRED TO IN THIS ARTICLE WILL BE CONFINED TO CUSTOMS OFFICIALS, AND MEASURES WILL BE TAKEN TO UNCLASSIFIED

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ASSURE THAT IT WILL BE MADE WITHIN A MINIMUM DELAY.

ART. 16:

REMARK REGARDING AMERICAN TAXATION MAY BE SUBJECT OF BILATERAL AGREEMENT BETWEEN GOVERNMENT OF U.S.A AND EGYPT.

ART. 19:

EXEMPTION FROM CONTROLS WILL BE SPECIFICALLY PROVIDED FOR IN APPROVAL.

ART. 20:

TECHNICIANS OR SPECIALISTS BROUGHT TO EGYPT FOR A PARTICULAR PROBLEM OR FOR A SHORT PERIOD OF TIME RECEIVE FEES IN TERMS OF SPECIFIC CONTRACTS ENTERED INTO WITH THEM, AND TEXT DOES NOT THEREFORE APPLY.

ART. 21:  
NO REPLY GIVEN.

ART. 21 (II):  
IMPLEMENTING REGULATIONS COULD NOT PROVIDE SUCH PROCEDURE AS LONG  
AS IT IS EXPLICITLY MENTIONED THAT SUCH DECISIONS ARE WITHIN COM-  
PETENCE OF BOARD.

ART. 21 (III):  
REINVESTMENT OF EARNINGS WHEN THEY ARE APPROVED BY BOARD WILL  
BE REGISTERED AS INVESTED CAPITAL.

ART. 22:  
WE CONSIDER THAT TEXT IS QUITE CLEAR AND DOES NOT REQUIRE ANY  
FURTHER GUIDELINES.

ART. 27:  
SPECIMEN OF APPLICATION FORMS CALLING FOR ALL REQUIRED PARTI-  
CULARS OF PROJECT WILL BE ANNEXED TO EXECUTIVE REGULATIONS.  
ISSUE OF APPROVAL OF INVESTOR'S HOME COUNTRY IS HIS OWN  
RESPONSIBILITY AND APPROVAL ISSUED BY BOARD IS VALID FOR  
SIX MONTHS. IN CASE NO SERIOUS STEPS TOWARDS EXECUTION  
ARE TAKEN APPROVAL MIGHT BE WITHDRAWN.

ART. 34:  
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APPLICATION FOR A LICENSE TO OCCUPY A FREE ZONE AREA MAY BE  
CALLED ON BY A COMPANY AND A BRANCH AFFILIATED TO THAT  
COMPANY, AND IF LICENSE IS GIVEN IN THIS FORM NO  
PROBLEM WILL ARISE IN CASE AFFILIATED BRANCH CARRIES ON  
WORK IN FREE ZONES.

ART. 45/  
SEE COMMENTS AT ITEM 7 ABOVE,  
END TEXT.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Copy:** SINGLE  
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**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition Event:**  
**Disposition History:** n/a  
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**Errors:** N/A  
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**Original Previous Classification:** n/a  
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